

REFERENCE TITLE: corporate income tax; REIT subsidiaries

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2795

Introduced by
Representative Chabin, Senator Hale: Representatives Campbell CL, Farley,
Senators Garcia, Rios

AN ACT

AMENDING SECTION 43-1122, ARIZONA REVISED STATUTES; RELATING TO CORPORATE INCOME TAX SUBTRACTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1122, Arizona Revised Statutes, is amended to
3 read:

4 43-1122. Subtractions from Arizona gross income: corporations

5 In computing Arizona taxable income for a corporation, the following
6 amounts shall be subtracted from Arizona gross income:

7 1. The amounts computed pursuant to section 43-1022, paragraphs 8
8 through 15, 28, 29 and 30. For THE purposes of this paragraph, "federal
9 adjusted gross income" as used in section 43-1022 means "federal taxable
10 income".

11 2. The amount of Arizona capital loss carryover as defined in section
12 43-1124 in an amount not to exceed one thousand dollars.

13 3. With respect to a financial institution as defined in section
14 6-101, expenses and interest relating to tax-exempt income disallowed
15 pursuant to section 265 of the internal revenue code.

16 4. EXCEPT AS OTHERWISE PROVIDED BY THIS PARAGRAPH, dividends received
17 from another corporation owned or controlled directly or indirectly by a
18 recipient corporation. "~~Control~~" For THE purposes of this paragraph,
19 "~~CONTROL~~" means direct or indirect ownership or control of fifty per cent or
20 more of the voting stock of the payor corporation by the recipient
21 corporation. Dividends shall have the meaning provided in section 316 of the
22 internal revenue code. This subtraction shall apply without regard to ~~the~~
23 ~~provisions of~~ section 43-961, paragraph 2 and article 4 of this chapter. A
24 corporation that has its commercial domicile, as defined in section 43-1131,
25 in this state may subtract the full amount of the dividends. IF A PAYOR OF
26 DIVIDENDS QUALIFIES TO DEDUCT THE DIVIDENDS PAID IN COMPUTING THE PAYOR'S
27 FEDERAL TAXABLE INCOME, THE PAYEE CORPORATION SHALL NOT SUBTRACT THE
28 DIVIDENDS RECEIVED FROM THE PAYOR PURSUANT TO THIS PARAGRAPH. ~~A corporation~~
29 ~~that does not have its commercial domicile in this state may subtract:~~

30 (a) ~~For its taxable year beginning in 1990, an amount equal to~~
31 ~~one half of the dividends.~~

32 (b) ~~For taxable years beginning in 1991 and thereafter, the full~~
33 ~~amount of the dividends.~~

34 5. Interest income received on obligations of the United States.

35 6. The amount of dividend income from foreign corporations.

36 7. The amount of net operating loss allowed by section 43-1123.

37 8. The amount of any state income tax refunds received which were
38 included as income in computing federal taxable income.

39 9. The amount of expense recapture included in income pursuant to
40 section 617 of the internal revenue code for mine exploration expenses.

41 10. The amount of deferred exploration expenses allowed by section
42 43-1127.

43 11. The amount of exploration expenses related to the exploration of
44 oil, gas or geothermal resources, computed in the same manner and on the same
45 basis as a deduction for mine exploration pursuant to section 617 of the

1 internal revenue code. This computation is subject to the adjustments
2 contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this
3 section relating to exploration expenses.

4 12. The amortization of pollution control devices allowed by section
5 43-1129.

6 13. The amount of amortization of the cost of child care facilities
7 pursuant to section 43-1130.

8 14. The amount of income from a domestic international sales
9 corporation required to be included in the income of its shareholders
10 pursuant to section 995 of the internal revenue code.

11 15. The income of an insurance company that is exempt under section
12 43-1201 to the extent that it is included in computing Arizona gross income
13 on a consolidated return pursuant to section 43-947.

14 16. The amount of contributions by the taxpayer during the taxable year
15 to medical savings accounts established on behalf of the taxpayer's employees
16 as provided by section 43-1028, to the extent that the contributions are not
17 deductible under the internal revenue code.

18 17. The amount by which a capital loss carryover allowable pursuant to
19 section 43-1130.01, subsection F exceeds the capital loss carryover allowable
20 pursuant to section 1341(b)(5) of the internal revenue code.

21 Sec. 2. Effective date

22 Section 43-1122, Arizona Revised Statutes, as amended by this act, is
23 effective and applies to taxable years beginning from and after December 31,
24 2008.